

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL MEMORANDUM**

HB 887 – SB 1164

March 17, 2014

SUMMARY OF ORIGINAL BILL: Authorizes retired state employees with 30 or more years of service to take one course without charge, per semester, at any public higher education institution. Authorizes spouses of full-time state employees to receive a 25 percent tuition discount at any state-operated technical vocational school or public higher education institution.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$193,700/FY13-14
Exceeds \$206,800/FY15-16 and Subsequent Fiscal Years

SUMMARY OF AMENDMENT (012816): Deletes all language of the original bill. Authorizes retired state employees with 30 or more years of service to take one course without charge, per semester, at any public higher education institution. Authorizes the Tennessee Board of Regents (TBR) and University of Tennessee (UT) to charge a fee for records maintenance that shall not exceed \$45 per quarter term or \$70 per semester to full-time state employees or retired state employees who take advantage of the tuition waiver program. Authorizes spouses of full-time state employees to enroll in one course per term without paying tuition, maintenance, student activity, or registration fees. Such course may not exceed more than four credit hours or 120 clock hours. Spouses may apply the cost equivalent of the full waiver credit toward payment for a class that is more than four credit hours or exceeds 120 clock hours. Prohibits spouses from receiving the tuition discount, if they have received a post-secondary certification or college degree. Enrolling spouses may be limited or denied entrance to a course based on space availability.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On March 10 2014, a fiscal memorandum was issued for this bill as amended with the following estimated fiscal impact of:

*Increase State Revenue –
Exceeds \$151,800/FY14-15 and Subsequent Fiscal Years*

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Increase State Expenditures - \$162,100/FY14-15

Exceeds \$171,900/FY15-16 and Subsequent Fiscal Years

On March 14, 2014, we received additional information from the Tennessee Higher Education Commission, Tennessee Board of Regents, and the University of Tennessee stating that the original estimated number of recipients and the number of courses that each recipient would be eligible to take annually was underestimated. As a result, the estimated fiscal impact for the bill as amended was incorrect. The estimated fiscal impact for the bill as amended has been corrected as follows:

(CORRECTED)

Increase State Revenue –

Exceeds \$214,200/FY14-15 and Subsequent Years/

Higher Education Institutions

Increase State Expenditures –

\$1,567,900/FY14-15/General Fund

Exceeds \$1,567,900/FY15-16 and Subsequent Years/General Fund

Corrected assumptions for the bill as amended:

- Lost revenue for state-operated area technical-vocational schools and higher education institutions resulting from the proposed tuition discount will require additional appropriations of state funds from the General Fund.
- Each retired employee and each spouse of full-time state employees will be eligible to take one course per semester.
- Tuition will increase an average of six percent annually.
- There is an average of three semesters per academic year.
- Based on information received from the TBR and UT, there are 64 retired state employees with 30 or more years of experience taking a course for credit at a TBR or UT institution with approximately 23 enrolled at a UT institution and approximately 41 enrolled at a TBR institution.
- In FY12-13, the average tuition discount at a UT institution was \$5,301 for three courses and \$3,145 at a TBR institution.
- Using the FY12-13 average discount, the increase in state expenditures for retired state employees to take three courses annually would have been \$250,868 [(\$5,301 x 23) + (\$3,145 x 41)].
- With an average tuition increase of six percent, the tuition discount for retired state employees would have been \$265,920 (\$250,868 x 106%) in FY13-14. In FY14-15, the increase in state expenditures for the tuition discount is estimated to be \$281,875 (\$265,920 x 106%); and is estimated to exceed \$281,875 in FY15-16 and subsequent years.
- Based on information received from the Tennessee Higher Education Commission (THEC), and information provided by the Tennessee Consolidated Retirement System

(TCRS), it is estimated that there will be 294 spouse-recipients. Of those, 102 will attend a UT institution and 192 will attend a TBR institution.

- Using the FY12-13 average discount, the increase in state expenditures for spouse-recipients to receive a tuition discount for one course each semester would have been \$1,144,542 $[(\$5,301 \times 102) + (192 \times \$3,145)]$.
- With an average tuition increase of six percent, the tuition discount for spouse-recipients would have been \$1,213,215 $(\$1,144,542 \times 106\%)$ in FY13-14. In FY14-15, the increase in state expenditures for the tuition discount is estimated to be \$1,286,008 $(\$1,213,215 \times 106\%)$; and is estimated to exceed \$1,286,008 in FY15-16 and subsequent years.
- The total increase in state expenditures from the General Fund in FY14-15 is estimated to be \$1,567,883 $(\$281,875 + \$1,286,008)$ and is estimated to exceed \$1,567,883 in FY15-16 and subsequent years.
- Based on information from UT and TBR, a records fee will be collected from all students who qualify in an amount not to exceed \$70 per semester.
- Based on information received from UT and TBR, the number of students who will be charged a records fee will exceed 1,020 in FY14-15 and subsequent years. Each student will take three courses annually (one course each semester).
- The recurring increase in state revenue in FY14-15 and subsequent years is estimated to exceed \$214,200 $(1,020 \times \$70 \times 3 \text{ semesters})$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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